



# Flat Tax for New Residents in Italy

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# Italy welcomes new residents with tax breaks

In a bid to attract investment and human capital, Italy is offering a special package of incentives to new residents.

The offer will appeal to HNWIs planning a move because of Brexit or changes in foreign tax rules, or simply keen to enjoy la dolce vita.

Three things are on offer from 2017: a special flat tax for foreign income, an inheritance and gift tax exemption, and fast-tracking of visas.

This brochure briefly explains how the package works and what services we can provide to help you make the most of it.

## Special annual flat tax for foreign income

This new charge is central to the package. Regardless of the level of their foreign income, new resident taxpayers can opt to pay an annual flat charge of EUR100,000. A lower amount of EUR25,000 is charged for each of their family members, defined very broadly as:

- spouses
- descendants
- brothers and sisters
- parents and parents-in-law
- sons and daughters-in law.

New residents who opt for the flat tax benefit in two ways:

- they can remit foreign income to Italy without paying any additional tax
- they are exempted from tax monitoring obligations (RW Form) and wealth tax payments.

Essentially, they will only be taxed in Italy on:

- Italian-source income
- capital gains from equity interests that they sell within five years of opting for the flat tax.

However, taxpayers can also cherry-pick countries and assets that they wish to exclude from the flat tax and, instead, include in their Italian tax return. These items will be subject to the ordinary Italian rules on tax payments and foreign tax credits.

The flat-tax option is available from 2017 and new tax residents are eligible if they have lived outside Italy for at least nine out of the previous 10 years. Once elected, the arrangement remains in place for a maximum of 15 years.

The arrangement can be wound up early by the taxpayer. It will also terminate immediately if the flat tax is not paid, or is only partially paid, by the annual tax payment deadline.

To check that they qualify for the new package, new tax residents are advised to apply for a tax ruling before the tax return deadline for the year they move to Italy. In their application they must indicate where they used to live and where their foreign income comes from. The tax authorities will check that the applicant has not been tax resident in Italy for more than 12 months over the last 10 years, and have 120 days to reply.

# Inheritance and gift tax exemption

Any assets bequeathed or gifted by an Italian tax resident are normally subject to Italian inheritance and gift tax.

However, for new tax residents there will be generous benefits as they will be taxed only on assets and rights held in Italy; those held abroad can be passed on free of tax.

# Fast-tracking of visas for non-EU citizens

Non-EU citizens who intend to stay in Italy for more than three months have to apply for a visa.

Individuals who wish to move to Italy without working here generally apply for an 'elective residence' visa. To qualify for this type of visa, they must be able to show that they have:

- sufficient income to reside in Italy without working, and
- a house in Italy.

An 'elective residence' visa is valid for 12 months and must be renewed 30 days before it expires. After five years, on certain conditions, the individual may also apply for a European residence visa, which does not expire and allows the holder to move freely within the EU.

To facilitate the visa procedure, the package offers new tax residents two options:

- a simplified visa procedure for those who simply move to Italy (details still have to be published)
- a fast-track procedure for foreigners (and their relatives) who also intend to:
  - invest a minimum of EUR2 million in Italian government bonds for at least two years
  - invest a minimum of EUR1 million in an Italian company for at least two years
  - donate a minimum of EUR1 million for philanthropic purposes in a sector that furthers the Italian economy (scientific research, education, culture, etc.).



# How we can help you

We can help you with all of the following.

- flat-tax eligibility check
- tax analysis of your assets and income
- exit-tax check
- residence status test for Italy and your country of origin
- preparation and submission of your tax ruling application
- Italian tax compliance while the package is in place
- visa procedures
- wealth and inheritance tax planning.

Please get in touch with us if you would like to discuss this interesting opportunity for new tax residents.

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